

ATTENTION FLEXPRO™ PARTICIPANTS

NEW GUIDANCE FROM THE IRS ON ELECTRONIC PAYMENT CARDS

SUMMARY OF CHANGES *(details below)*

- You can no longer self-certify (write your own explanation to justify) your claims. The IRS requires a third-party receipt identifying the provider, the patient, the date of service, the type of service and the amount of the service along with a signed claim form.
- You may only use your Flex card at merchants and service providers that have health-care-related merchant codes. You may no longer use your Flex card at grocery stores and discount stores (stores that do not have health-care-related merchant codes).
- You can now use your card to pay for multiple prescription co-pays or pay for multiple physician service co-pays without the need for additional substantiation.
- Substantiation is not needed for purchases at merchants with Inventory Information Approval System (SKUs that identify eligible expenses). Currently Walgreens and Long Drugs meet these requirements. There are additional requirements that stores must meet as of January 1, 2007. More information will be provided on this in the future.
- There is new guidance on electronic card substantiation for Dependent Care FSA Expenses.

The IRS has issued new guidance as well as clarifications relating to electronic payment cards (Flex cards). These changes will have an impact on your Flexible Benefits Plan and will change how you substantiate claims and the merchants where you can use your card. Effective September 1, 2006 the following changes will take place.

Claims Cannot be Self-Certified. You must provide a third-party receipt that identifies the name of the provider, the name of the patient, the date of service, the type of service and the amount of the service along with a signed claim form that certifies that you will not be reimbursed by any other source. You may no longer respond by simply writing in the type of service, date of service, etc. The information must appear on a third-party receipt. (Exception: you may write your name on a receipt for over-the-counter expenses.)

Health-Care-Related Merchant Codes. The IRS has clarified that the Flex card may only be used at merchants and service providers that have health-care-related merchant codes (MCCs). Examples of eligible merchants are: physicians, pharmacies, dentists, vision care offices, hospitals and other medical care providers. Grocery stores (such as Krogers) and discount stores (such as Wal-Mart), as well as the pharmacies within these stores, do **not** qualify as a merchant with a health-care-related merchant code.

Multiple Co-pays. Multiples of co-pays or combinations of co-pays up to five times the maximum co-pays will be set up in the system. For example, you have four prescriptions to pick up at the pharmacy. As long as all four prescriptions match the co-pay and you use your Flex card, it should automatically take care of your claim without the need for any further substantiation. This should help minimize some of the requests for substantiation, however, it will not eliminate it altogether. If one of the prescriptions does not match the co-pay or you add an over-the-counter item, you will be sent a letter asking for further substantiation.

Point of Sale Merchants. No additional substantiation is required for transactions that are approved at the point of sale by merchants through an inventory information approval system (i.e. SKU) that matches items to a list of eligible expenses. Strict recordkeeping requirements must be satisfied, however, so the IRS has sufficient information in case of an audit. The recordkeeping requirement associated with the inventory information approval system applies for plan years beginning after December 31, 2006. Currently Walgreens and Longs Drugs are set up to auto adjudicate. KBA is in the process of verifying whether they meet the recordkeeping requirements.

Electronic Card Substantiation for Dependent Care FSA Expenses. The new guidance allows for automatic substantiation of recurring Flex card transactions for the Dependent Care FSA. You would need to provide substantiation at the beginning of the plan year showing the provider, the service period, the amount of the service and a statement that the expense is a recurring expense.

What must I do?

- When substantiation is requested for a claim, you must submit a third-party receipt along with a signed claim form. A sample claim form is attached for your use.
- Please remember to always keep copies of your receipts for your records.
- You may no longer use your Flex card at grocery stores, discount stores (i.e. Wal-mart), any non health-care-related store. You may use other cards, write a check or pay cash and then submit your claim to KBA for reimbursement.
- You may now use your Flex card to pay for multiple (up to five times the maximum co-pays) co-pay without additional substantiation.
- If you are a participant in the Dependent Care FSA, you may use your card to pay for day care expenses provided those expenses have been incurred. Once you have provided the information about the provider, the dates of service and the amount of service, you may be able to set up the dependent care so it will automatically approve your recurring expense. (KBA is reviewing the FlexPro system to see how we can best accommodate this process.)
- We will begin sending out requests for substantiation on a weekly basis instead of daily. If you have been receiving multiple requests, you will now only receive one weekly. Please attach the appropriate information and sign and return the information to KBA.
- It is important that you respond as quickly as possible to requests for substantiation. Please respond immediately upon receipt of the first pend letter. If you do not respond, a second letter will be sent. If you still do not respond, a third letter will be sent notifying you that your Flex card will be temporarily deactivated until you provide the requested information.
- Please remember that, although you may be required to provide some additional substantiation, the benefits to using the Flex card are still valid. You still have immediate access to your funds. You do not have to submit claims and then wait for reimbursement.
- An additional thing to remember is these rules are IRS rules and are there to protect you, your employer and your plan. By following the rules and guidelines you help keep your plan in compliance. Don't forget, you are receiving a tax savings (extra money in your pocket) on the dollars you set aside through the Flex plan.

If you have any questions about these new guidelines from the IRS, please call your Customer Care Team at 800-558-5553. We are here to assist you.

Your FlexPro Customer Care Team

For further information regarding this IRS guidance, please refer to the IRS website http://www.irs.gov/irb/2006-31_IRB/ar10.html
www.irs.gov/irb/2006-31_IRB/ar10.html

FlexPro™ Claim Form

THIS FORM MUST ACCOMPANY EACH GROUP OF RECEIPTS SUBMITTED

Employer Name: _____

Employee Name: _____ ID or SSN Number: _____

Home Address: _____
Number & Street City State Zip Code

Day Time Phone Number: _____ Number of pages: _____



Please check if new address

To the best of my knowledge and belief, my statement in this Request for Reimbursement is complete and true. I am claiming reimbursement only for eligible expenses incurred during the applicable plan year and for eligible plan participants. If this claim includes medical expenses, I certify that these expenses have not been reimbursed, are not reimbursable from any other source, nor will any reimbursement be sought from any other source. I authorize my Flexible Spending Account(s) be reduced by the amount requested.

Employee Signature: _____ Date: _____
Signature Required

Health Care Expenses:

Expenses that may be covered by your (or your spouse's) medical, dental or vision plan must first be submitted to the appropriate insurance carrier. The Explanation of Benefits (EOB) you receive from your insurance carrier may then be submitted to FlexPro™ as a qualifying receipt towards your FlexPro™ Plan. Health care receipts must be from an independent third party and must include the Name of the Patient, Name of the Provider, Type and date of Service or Supply provided (Names of Prescriptions are required), and the Amount of the Service or Supply. Receipts for eligible over-the-counter drugs or medicines must include the same information but the type of Supply and the Patient's Name may be hand written on the receipt by the participant if necessary.

Name of Patient or Dependent	Date(s) Of Service	Name of Provider or Merchant	Type of Service or Supply	Health Care Charge for each service/supply	Debit Card Purchase Substantiation
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
TOTAL					

If necessary please add additional page:

Dependent Care:

Dependent Day Care receipts must include the Name of the Provider, Dates of Service, Name of the Dependent(s), Fee for Service or you may have your Dependent Day Care Provider complete and sign below (Original Signature required).

Date(s) of Service: _____ Fee for Service: _____

Dependent(s) Name: _____ Dependent Date of Birth: _____

Day Care Provider Name: _____

Day Care Provider Signature: _____ Date: _____

Attention MBI Benefits Card Users:

- ☐ None of the attached claims were purchased using my MBI Benefits Card.
- ☐ Some of the claims were purchased using my MBI Benefits Card. Please check claim(s) purchased with your Benefits Card.
- ☐ All of the attached claims were purchased using my MBI Benefits Card.

The following reimbursement request rules apply: Health Care and Dependent Care expenses must be incurred within the appropriate Plan Year. See Plan Specific page for eligibility requirements. Photocopies of receipts are acceptable. Please retain a copy of all receipts for your own records. *Cancelled checks are not acceptable receipts. This form must be signed and submitted with applicable receipts.*



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